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August 30, 2002

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BY HAND

Marlene H. Dortch

Secretary

Federal Communications Commission

445-12th Street, S.W.

Washington, D.C. 20554

Re: XO Communications, Inc.  
Applications for Transfer of Control  
IB Docket No. 02-50

Dear Ms. Dortch:

XO Communications, Inc. ("XO"), by its attorneys, hereby submits for filing the original and five (5) copies of an "Order Confirming Third Amended Plan of Reorganization" issued on August 26, 2002 by the United States Bankruptcy Court for the Southern District of New York in *In re XO Communications, Inc.*, Case No. 02-12947 (AJG). XO certifies that the Bankruptcy Court has approved "Plan A" of XO's Plan of Reorganization.

Please date-stamp the additional copy of this letter and return it to the bearer.


No. of Copies rec'd 045  
List ABCDE

Marlene H. Dortch  
August 30, 2002  
Page Two

Also, please contact the undersigned counsel if there are any questions.

Sincerely,

**XO COMMUNICATIONS, INC.**

By:   
Brad E. Mutschelknaus  
Joan M. Griffin  
Its Attorneys

cc: Jim Ball  
George Li  
Claudia Fox  
Jackie Ruff  
Mark Uretsky  
Imani Ellis-Cheek  
Jeff Tobias  
Zenji Nakazawa  
Elizabeth Yockus  
Neil Dellar

## CERTIFICATE OF SERVICE

I, Charles "Chip" M. Hines III, hereby certify that a true and correct copy of the foregoing Order from XO Communications, Inc. in the Matter of IB Docket No. 02-50 was served on this the 30<sup>th</sup> day of August, 2002 on the individuals in the following list:

Delivered via U.S. Mail:

Scott Burnside  
Senior Vice President, Regulatory  
And Government Affairs  
RCN Corporation  
100 Lake Street  
Dallas, Pennsylvania 18612

A handwritten signature in black ink, appearing to read "Charles M. Hines III", written over a horizontal line.

Charles "Chip" M. Hines III

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

\_\_\_\_\_  
In re

XO COMMUNICATIONS, INC.,

Debtor.  
\_\_\_\_\_

)  
) Chapter 11  
)

) Case No. 02-12947 (AJG)  
)  
)

**ORDER CONFIRMING THIRD  
AMENDED PLAN OF REORGANIZATION**

Upon consideration of the Third Amended Plan of Reorganization, dated July 22, 2002 (as the same has been amended, modified or supplemented prior to, at or in connection with the hearing on confirmation of the Plan or by this Order, the "Plan"),<sup>1</sup> filed with this Court by the above-captioned debtor and debtor in possession (the "Debtor"); and upon (a) the hearing held before this Court on July 19, 2002 to consider approval of the Disclosure Statement for the Third Amended Plan of Reorganization, dated July 22, 2002 (the "Disclosure Statement"), (b) the Order of the Court, dated July 22, 2002, among other things (i) approving the Disclosure Statement and (ii) establishing solicitation procedures with respect to the Plan (the "Disclosure Statement Order") and (c) the Order of the Court, dated July 22, 2002, establishing voting procedures and approving forms of ballots and notices (the "Voting Procedures Order"); and upon the declaration of Mariah Martin of Bankruptcy Services LLC ("BSI"), the Debtor's balloting agent with respect to Classes 1, 5 and 6 (as set forth in the Plan), sworn to on August 22, 2002 (the "Ballot Certification") filed with the Court on August 23, 2002; and it

<sup>1</sup> All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Plan. A copy of the Plan is annexed hereto as Exhibit A.

appearing from the affidavits of mailing and publication filed with this Court that (i) copies of the Disclosure Statement (including the Plan as annexed thereto as Exhibit A), notice of the Confirmation Hearing (as defined below), the Voting Procedures Order, the Disclosure Statement Order, ballots for acceptance or rejection of the Plan, notices of non-voting status, notices of deemed rejection were transmitted to the holders of Claims against and Interests in the Debtor and other parties in interest as required by the Disclosure Statement Order and the Voting Procedures Order, (ii) such transmissions at such time being due and adequate notice under the circumstances and (iii) notice of the Confirmation Hearing was published in the manner and at the time required by the Disclosure Statement Order; and the Disclosure Statement Order having fixed August 19, 2002 as the deadline for voting on the Plan; and the Disclosure Statement Order having fixed August 21, 2002 as the deadline for filing of objections to confirmation of the Plan; and upon consideration of the objections (collectively, the "Objections") of (a) Satisfaction Development Systems, Inc.; (b) Cable and Wireless USA, Inc.; (c) IKON Office Solutions, Inc.; (d) Market Halsey Urban Renewal, LLC; (e) Qwest Services Corporation, Qwest Communications Corporation and Qwest Corporation; (f) James B. Comey, United States Attorney (informal objection); (g) CRT Capital Group, LLC; and (h) Wells Fargo Bank Minnesota, National Association, the successor Indenture Trustee under the Debtor's Indenture respecting the Subordinated Notes; and upon consideration of (a) the response of Forstmann Little and Telmex<sup>2</sup> and (b) the Statement of the Official Committee of Unsecured Creditors (the "Creditors' Committee") received in respect to confirmation of the Plan; and the Debtor in

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<sup>2</sup> "Forstmann Little" refers to the Forstmann Little & Co. Equity Partnership VII, L.P. and the Forstmann Little & Co. Subordinated Debt & Equity Management Buyout Partnership VIII, L.P. and "Telmex" refers to Teléfonos de México, S.A. de C.V.

consultation with the Creditors' Committee and other critical parties in interest having determined that it is in the best interests of the Debtor to proceed at this time with confirmation of the Plan solely with respect to the FL/Telmex Plan ("Plan A") and reserving its right to pursue confirmation of the Plan with respect to the Stand-Alone Plan at a later date; and references to the "Plan" hereinafter in this Order only referring to the Plan as it relates to Plan A unless expressly provided otherwise; and upon the affidavits of Noelle N. Beams, Vice President and Treasurer of the Debtor, dated August 23, 2002 (the "Beams Affidavit"), and Irwin N. Gold, a Senior Managing Director of Houlihan Lokey, Howard & Zukin Capital, financial advisor to the Debtor, filed with the Court on August 23, 2002 (the "Gold Affidavit"), filed in support of confirmation of the Plan; and upon the Debtor's memorandum of law, dated August 23, 2002, filed in support of confirmation of the Plan; and upon the Plan Supplement filed with this Court by the Debtor on August 19, 2002; and a hearing (the "Confirmation Hearing") to consider confirmation of Plan A having been held before this Court on August 26, 2002; and upon this Court's Order, dated August 26, 2002, approving the Shareholder Stipulation (as defined in the Plan); and upon the full and complete record of the Confirmation Hearing and all matters and proceedings heretofore part of the record of this case; and after due deliberation and sufficient cause appearing therefor;

IT IS HEREBY FOUND that:

I. JURISDICTION AND VENUE

A. This Court has jurisdiction pursuant to 28 U.S.C. § 1334 over this Chapter 11 Case and to confirm the Plan.

B. Confirmation of the Plan is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(1) and 157(b)(2)(L) and this Court has jurisdiction to enter a final order with respect thereto.

C. Venue of this Chapter 11 Case is properly in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

D. The Debtor is properly a debtor under section 109<sup>2</sup> and is the proper proponent of the Plan under section 1121(a).

## II. SOLICITATION

E. Notice of the Confirmation Hearing and the relevant deadlines for submission of objections and ballots, as prescribed by this Court in the Disclosure Statement Order and the Voting Procedures Order, has been provided and is adequate and sufficient pursuant to section 1128 of the Bankruptcy Code, Bankruptcy Rules 2002(b) and 3020 and other applicable law and rules.

F. Ballots were transmitted to holders of claims in classes eligible to vote on the Plan (the "Voting Classes") in accordance with the Disclosure Statement Order and the Voting Procedures Order.

G. The Debtor, with the assistance of BSI, solicited votes for the Plan from the Voting Classes in good faith and in a manner consistent with the Bankruptcy Code, the Bankruptcy Rules, the Disclosure Statement Order and Voting Procedures Order.

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<sup>2</sup> Unless otherwise indicated, reference to a "section" means the applicable section of title 11 of the United States Code (the "Bankruptcy Code").

H. The Ballot Certification provided by BSI is consistent with Bankruptcy Rule 3018.

III. THE PLAN SATISFIES THE REQUIREMENTS OF THE BANKRUPTCY CODE

I. The classification scheme of Claims and Interests under the Plan is reasonable. Claims or Interests in each Class are substantially similar to other Claims or Interests in such Class and the Plan satisfies the requirements of section 1122(a) of the Bankruptcy Code.

J. Administrative Claims, Fee Claims, and Priority Tax Claims, have not been classified and are excluded from the Classes set forth in the Plan. The Plan establishes the following Classes of Claims and Interests: Senior Secured Lender Claims (Class 1); Other Secured Claims (Class 2); Non-Tax Priority Claims (Class 3); Convenience Claims (Class 4); General Unsecured Claims (Class 5); Senior Note Claims (Class 6); Subordinated Note Claims (Class 7); Securities Claims (Class 8); Old Preferred Stock Interests (Class 9); Old Common Stock Interests (Class 10); and Other Old Equity Interests in XO (Class 11). The Plan satisfies the requirements of sections 1122 and 1123(a)(1) of the Bankruptcy Code.

K. The following Classes of Claims or Interests (the "Voting Classes") are impaired and entitled to vote under the Plan: (i) Class 1 (Senior Secured Lender Claims); (ii) Class 5 (General Unsecured Claims); and (iii) Class 6 (Senior Notes Claims). All other Classes of Claims or Interests are either unimpaired under the Plan (Classes 2, 3 and 4) or deemed to reject the Plan by virtue of receiving no Distributions thereunder (Classes 7, 8, 9, 10 and 11). The treatment of Claims and Interests in impaired Classes is specified in Article III of



the Plan, and the Plan satisfies the requirements of sections 1123(a)(2) and 1123(a)(3) of the Bankruptcy Code.

L. The Plan provides for the same treatment for each Claim or Interest of a particular Class, and, therefore, satisfies the requirements of section 1123(a)(4) of the Bankruptcy Code.

M. The Plan provides for adequate means for its implementation and, therefore, satisfies the requirements of section 1123(a)(5) of the Bankruptcy Code.

N. The Plan provides, that, where applicable, the certificate of incorporation and by-laws of the Debtor prohibit the issuance of nonvoting equity securities to the extent required by section 1123(a)(6) of the Bankruptcy Code and, therefore, satisfies the requirements of such section.

O. The Plan provides for the selection of the directors and officers of Reorganized XO in a manner consistent with the interests of creditors and equity security holders and with public policy, and the Plan satisfies the requirements of section 1123(a)(7) of the Bankruptcy Code.

P. The Plan complies with the applicable provisions of the Bankruptcy Code including, without limitation, sections 1122 and 1123 of the Bankruptcy Code. Therefore, the Plan satisfies the requirements of section 1129(a)(1) of the Bankruptcy Code. In addition, in accordance with Bankruptcy Rule 3016(a), the Plan is dated and identified with the name of the Debtor.

Q. The Debtor, as the proponent of the Plan, has complied with the applicable provisions of the Bankruptcy Code including, without limitation, sections 1125 and 1126 of the Bankruptcy Code and, therefore, has satisfied the requirements of section 1129(a)(2) of the Bankruptcy Code.

R. The Plan has been proposed in good faith and not by any means forbidden by law and, therefore, satisfies the requirements of section 1129(a)(3) of the Bankruptcy Code.

S. Any payments made or to be made by the Debtor for services or for costs and expenses in, or in connection with, the Debtor's chapter 11 case, have been approved by, or are subject to the approval of, this Court as reasonable. Accordingly, the Plan satisfies the requirements of section 1129(a)(4) of the Bankruptcy Code.

T. To the extent known, the Debtor has disclosed the names of the persons who will be the directors and officers of Reorganized XO. Accordingly, the Plan satisfies the requirements of section 1129(a)(5)(A) of the Bankruptcy Code.

U. Pursuant to section 1129(a)(5)(B), the Debtor has disclosed the identity of any insiders, and the nature of compensation for such individuals, who will be employed or retained by Reorganized XO subsequent to the Effective Date. Accordingly, the Plan satisfies section 1129(a)(5)(B).

V. There is no rate change provided for under the Plan. Accordingly, the Plan satisfies the requirements of section 1129(a)(6) of the Bankruptcy Code.

W. With respect to each impaired Class of Claims against or Interests in the Debtor, as set forth in the Ballot Certification and the record of the Confirmation Hearing, each

holder of a Claim or Interest of such Class: (a) has accepted the Plan; or (b) will receive or retain under the Plan, on account of such Claim or Interest, property of a value, as of the Effective Date, that is not less than the amount that such holder would so receive or retain if the Debtor were to be liquidated under chapter 7 of the Bankruptcy Code on such date. Accordingly, the Plan satisfies the requirements of section 1129(a)(7) of the Bankruptcy Code.

X. As evidenced by the Ballot Certification, the Plan has been accepted by Classes 1 and 6 of the Voting Classes, and rejected by Class 5 of the Voting Classes, in accordance with section 1126 of the Bankruptcy Code and consistent with Bankruptcy Rule 3018 and the Voting Procedures Order.

Y. Classes 2, 3 and 4 are not impaired under the Plan, and such Classes (and all holders of Claims in such Classes) are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

Z. The Plan is deemed rejected, pursuant to section 1126(g) of the Bankruptcy Code, by the members of Classes 7, 8, 9, 10 and 11 (collectively, the "Deemed Rejected Classes"), who will receive no Distributions on account of their Claims or Interests.

AA. With respect to each Class of Claims or Interests designated by the Plan, other than Class 5 and the Deemed Rejected Classes either: (a) such Class has accepted the Plan; or (b) such Class is not impaired under the Plan. Accordingly, the requirements of section 1129(a)(8) of the Bankruptcy Code have been satisfied with respect to all Claims and Interests other than those in Class 5 and the Deemed Rejected Classes. The Plan is nevertheless confirmable with respect to Class 5 and the Deemed Rejected Classes because, as described

below, the requirements of section 1129(b) of the Bankruptcy Code are satisfied with respect to such Classes.

BB. Except to the extent that the holder of an Allowed Claim has agreed or will agree to a different treatment of such Claim, the Plan provides that, with respect to allowed Administrative Claims, Non-Tax Priority Claims, Priority Tax Claims, and Fee Claims, the holders of such Claims will receive, on account of such Claims, on the Distribution Date, Cash equal to the unpaid allowed amount of such Claim. Accordingly, the Plan satisfies the requirements of sections 1129(a)(9)(A), 1129(a)(9)(B) and 1129(a)(9)(C) of the Bankruptcy Code.

CC. The Plan has been accepted by at least one impaired Class of Claims (Classes 1 and 6), which acceptance has been determined without including any acceptance of the Plan by any insider holding a Claim in such Class. Accordingly, the requirements of section 1129(a)(10) of the Bankruptcy Code are satisfied with respect to the Plan.

DD. The Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor. Accordingly, the requirements of section 1129(a)(11) of the Bankruptcy Code are satisfied with respect to the Plan.

EE. The fees payable by the Debtor to the United States Trustee or the Clerk of this Court, as provided under 28 U.S.C. § 1930(a)(6), constitute administrative expenses entitled to priority under section 507(a)(1) of the Bankruptcy Code, and the Plan's treatment of such fees satisfies the requirements of section 1129(a)(12) of the Bankruptcy Code.

FF. As retiree benefits, as that term is defined in section 1114, do not appear to apply to the Debtor, the Plan satisfies the requirements of section 1129(a)(13).

GG. The requirements of section 1129(b) of the Bankruptcy Code are satisfied as to Class 5 and the Deemed Rejected Classes (Classes 7, 8, 9, 10 and 11) because (a) the Claims in the Classes senior to Class 5 and the Deemed Rejected Classes are not being paid more than in full, (b) there is no Class of Claims or Interests junior to such Classes retaining or receiving any property under the Plan and (c) the Plan is fair and equitable, and does not discriminate unfairly, with respect to such Classes.

HH. The Plan (including previous versions thereof) is the only plan that has been filed in this case that has been found to satisfy the requirements of subsections (a) and (b) of section 1129 of the Bankruptcy Code. Accordingly, the requirements of section 1129(c) of the Bankruptcy Code have been satisfied.

II. No party in interest that is a governmental unit has requested that the Court not confirm the Plan on grounds that the principal purpose of the Plan is the avoidance of taxes or the avoidance of the application of section 5 of the Securities Act of 1933, and the principal purpose of the Plan is not such avoidance. Accordingly, the Plan satisfies the requirements of section 1129(d) of the Bankruptcy Code.

#### IV. MISCELLANEOUS

JJ. All conditions to confirmation contained in Section 9.1 of the Plan have been satisfied.

KK. The Debtor's non-debtor subsidiaries were as of June 30, 2002, indebted to the Debtor in the amount of approximately \$6.2 billion which in the aggregate exceeds the value of the assets of such subsidiaries.

LL. Pursuant to Bankruptcy Rule 9019, and in consideration of the classification, distribution and other benefits provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all the Claims and controversies resolved pursuant to the Plan. This Order constitutes the Court's approval of all such compromises and settlements, including the settlements relating to the Shareholder Lawsuit and the releases contained in the Plan, and all other compromises and settlements provided for in the Plan which, based upon the representations and informed views of counsel to the Debtor, the Administrative Agent, and the Creditors' Committee, as applicable, and all other testimony either actually given or proffered and evidence introduced at the Confirmation Hearing and the full record of the Chapter 11 Case, the Court finds to be fair, equitable and within the range of reasonableness and in the best interests of the Debtor, its Estate, creditors and other parties in interest.

MM. The Debtor and each of its officers, directors, employees and agents, and each professional, attorney, financial advisor, accountant, or other professional employed by the Debtor, the Released Parties, the Creditors' Committee and its members (in their capacity as such, and specifically excluding such members as creditors of the Debtor), the Administrative Agent, in such capacity, and any professionals, attorneys, financial advisors, accountants, or other professionals employed by such parties have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code, pursuant to sections 1125(e) and 1129(a)(3) of the Bankruptcy Code, with respect to the proposal and administration of the Plan.

NN. The Debtor and each Investor has acted in good faith.

OO. Each non-debtor party that will benefit from the releases, waivers of claims and related injunctions contained in the Plan shares an identity of interest with the Debtor and has contributed substantial assets to the Debtor's reorganization, which assets will provide for certain Distributions that would not otherwise be available but for the contribution made by such non-debtor parties. Such releases, waivers and injunctions are essential to such reorganization and each of the impacted classes, other than Class 5, has voted overwhelmingly to accept its proposed treatment under the Plan.

PP. Each of the parties have reserved their respective rights respecting the Investment Agreement and resolution of the disputes concerning conditions to the Investment Agreement at this time is not necessary to confirm the Plan.

QQ. All of the foregoing findings (decretal paragraphs A through and including PP) are made solely in connection with the Plan as it relates to the FL/Telmex Plan and are subject to the occurrence of consummation of the FL/Telmex Plan and the Effective Date. In the event the Effective Date or consummation of the FL/Telmex Plan does not occur, such findings shall be void and have not precedential or res judicata effect.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED THAT:

A. General.

1. The findings of this Court set forth above and the conclusions of law stated herein shall constitute findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding by Bankruptcy Rule 9014. To the extent any finding of fact shall be determined to be a conclusion of law, it shall be so deemed, and vice versa.

2. To the extent that any Objections have not been withdrawn prior to entry of this Order or are not resolved by the relief granted herein or as stated on the record of the Confirmation Hearing, all such Objections (excluding objections relating solely to the Stand-Alone Plan) are hereby overruled. To the extent that any Objections to cure amounts have not been withdrawn prior to entry of this Order or are not resolved by the relief granted herein or as stated on the record of the Confirmation Hearing, all such cure Objections shall be adjourned until September 13, 2002 or to such later date as may be agreed upon between the parties or further ordered by the Court.

3. The Plan complies with the requirements of sections 1122, 1123 and 1129 of the Bankruptcy Code.

4. The Plan (i.e., the Plan solely with respect to Plan A) is hereby confirmed pursuant to section 1129 of the Bankruptcy Code.

5. The Plan, as modified pursuant hereto, satisfies the requirements of section 1127(a) of the Bankruptcy Code and Bankruptcy Rule 3019. The modifications contained herein shall not impair or impact the effectiveness of any Ballot or any obligation of any party to the Bank Plan Support Agreement.

B. Discharge and Releases.

6. In the event that the transactions contemplated by the Investment Agreement are consummated, none of the Debtor, Reorganized XO, the Administrative Agents, the Forstmann Little Entities, Telmex, the Note Trustees, the Senior Secured Lenders, the Creditors' Committee, the Administrative Agents, the entities participating as lenders under the Amended and Restated Senior Credit Facility, nor any of their respective current or former members, partners, officers, directors, employees, affiliates, agents and advisors (including any attorneys, financial advisors, investment bankers and other professionals retained by such persons) shall



have or incur any liability to any Holder of any Claim or Interest for any act or omission in connection with, or arising out of the Debtor's restructuring, the Plan, the Chapter 11 Case, the Disclosure Statement, the Investment Agreement, the Bank Plan Support Agreement, the Amended and Restated Senior Credit Facility, the Stockholders Agreement, any agreements relating to the foregoing or to the transactions contemplated by the Stand-Alone Term Sheet, the solicitation of votes for and the pursuit of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, including, without limitation, all documents ancillary thereto, all decisions, actions, inactions and alleged negligence or misconduct relating thereto and all prepetition activities leading to the promulgation and confirmation of the Plan except willful misconduct or gross negligence as determined by a Final Order of the Bankruptcy Court; provided, however, that notwithstanding anything to the contrary contained in the Plan or herein, except to the extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, the releases provided for in Section 10.4(b) of the Plan shall not release any non-Debtor entity from any liability arising under (x) the Internal Revenue Code or any state, city or municipal tax code, (y) the environmental laws of the United States or any state, city or municipality, or (z) any criminal laws of the United States or any state, city or municipality; provided further, however, that this decretal paragraph shall not prejudice any creditor's right to enforce the provisions of the Plan.

7. On the Effective Date, in the event that the transactions contemplated by the Investment Agreement are consummated, all holders of Claims and Interests, in consideration for the obligations of the Debtor and Reorganized XO under the Plan, the obligations of the Investors under the Investment Agreement, and the Cash, New Common Stock and other

contracts, instruments, releases, agreements or documents to be delivered in connection with the Plan, and each entity (other than the Debtor) that has held, holds or may hold a Claim or Interest, as applicable, will be deemed to forever release, waive and discharge all claims, demands, debts, rights, causes of action or liabilities (other than the right to enforce the Debtor's or Reorganized XO's obligations under the Plan, and the contracts, instruments, releases, agreements and documents delivered under this Plan), whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtor, the Chapter 11 Case, the Plan or the Disclosure Statement against (i) Forstmann Little Entities, (ii) Telmex, (iii) the current and former directors, officers and employees of the Debtor, (iv) the Note Trustees, the Senior Secured Lenders, the Creditors' Committee and the Administrative Agent and (v) the respective affiliates and current and former officers, partners, directors, employees, agents, members, shareholders, advisors (including any attorneys, financial advisors, investment bankers and other professionals retained by such persons), and professionals of the foregoing.

8. In accordance with section 10.2 of the Plan, except as otherwise provided in the Plan or herein, in accordance with section 1141(d)(1) of the Bankruptcy Code, entry of this order acts as a discharge, effective as of the Effective Date, of all Claims against the Debtor, its assets or properties, which Claims arose at or relate to anytime before the entry of this Order.

9. Effective as of the Effective Date, title to all property of the Estate shall vest in and be transferred in accordance with the terms of the Plan, free and clear of all liens, Claims and

encumbrances in accordance with section 1141 of the Bankruptcy Code, any prohibitions upon such transfer being null and void.

10. The sale of Common Stock pursuant to the Investment Agreement shall be free and clear of all liens, claims, interests, rights of others or encumbrances of any kind.

11. In accordance with section 1145 of the Bankruptcy Code, the issuance of Common Stock to creditors under the Plan shall be exempt from registration under the Securities Act of 1933, as amended.

12. Other than the enforcement of rights or Distributions under the Plan or to any Cash previously distributed or to be distributed on account of any Allowed Claim, as of the Effective Date no creditor shall have recourse against: (i) Reorganized XO; or (ii) any property of Reorganized XO.

13. Notwithstanding anything to the contrary contained in the Plan or this Order, any existing rights of setoff or recoupment of or against the Debtor shall be preserved and shall be excepted from any discharge, injunction, waiver or release that the Debtor may receive pursuant to the Plan or this Order.

14. Notwithstanding anything to the contrary contained in the Plan, to the extent that the Debtor and Market Halsey Urban Renewal, LLC ("Market Halsey") are unable to agree upon an alternate guarantor, the Debtor's guaranty obligations with respect to that certain lease agreement between Market Halsey and XO New York, Inc. f/k/a NEXTLINK New York, Inc. for premises located at 165 Halsey Street, Newark, New Jersey shall pass through confirmation of the Plan.

15. Notwithstanding anything to the contrary contained in the Plan or this Order, Ikon Office Solutions Inc.'s rights under its motion to vacate or amend this Court's August 7, 2002

order authorizing the rejection of leases between the Debtor and Ikon are expressly reserved until there is a determination on such motion.

16. Notwithstanding anything to the contrary contained in the Plan, except to the extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, the releases provided for in this Section 10.5 of the Plan shall not release any non-Debtor entity from any liability arising under (x) the Internal Revenue Code or any state, city or municipal tax code, (y) the environmental laws of the United States or any state, city or municipality, or (z) any criminal laws of the United States or any state, city or municipality.

C. Plan Implementation.

17. The Debtor and Reorganized XO, as the case may be, are authorized to undertake or cause to be undertaken any and all acts and actions contemplated by the Plan or required to consummate and implement the provisions of the Plan, prior to, on and after the Effective Date, including without limitation, entering, executing, delivering, filing or recording any agreements, instruments, or documents necessary to implement the Plan, including, without limitation, filing amended or new certificates of incorporation, by-laws or other corporate documents with the appropriate governmental authorities, effecting mergers necessary and advisable to establish Reorganized XO as a Delaware corporation conducting the business of the Debtor and qualify Reorganized XO to do business as a foreign corporation where it is so required to be qualified and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court. All such actions shall be deemed to have occurred and shall be in effect pursuant to Section 303 of the Delaware General Corporation Law and the Bankruptcy Code, without any requirement of further action by the stockholders or directors of the Debtor or Reorganized XO.

18. All Old Common Stock, Old Preferred Stock, Other Old Equity and other Interests, if any, of the Debtor, and the Indentures, the Senior Notes, the Subordinated Notes and any other note, bond, indenture or other instrument or document evidencing or creating any indebtedness or obligation of the Debtor shall be deemed canceled on the Effective Date, provided, however, that the Indentures shall continue in effect solely for the purposes described in Section 4.4 of the Plan and herein.

19. The duties of the Creditors' Committee shall terminate on the Effective Date, except with respect to any appeal pending on the Effective Date of an order in the Chapter 11 Case and the pursuit of or objection to any Fee Claims.

20. On the Effective Date, the appropriate officers of Reorganized XO and members of its board of directors shall be authorized and directed to execute and deliver the agreements, documents and instruments contemplated by the Plan including, without limitation, the Investment Agreement and Amended and Restated Credit Facility, in the name of and on behalf of Reorganized XO.

21. Effective as of the Effective Date, the Debtor's 2002 Stock Incentive Plan is approved.

22. Effective as of the Effective Date, the Debtor, in its sole discretion as it deems appropriate, may contribute to capital of one or more of the Operating Subsidiaries all or a portion of receivables or other obligations owed by such Operating Subsidiaries to the Debtor.

23. Each federal, state, commonwealth, local, foreign or other governmental agency is hereby directed and authorized to accept any and all documents, mortgages and instruments necessary or appropriate to effectuate, implement or consummate the transactions contemplated by the Plan, this Order and the Investment Agreement.

24. All transactions effected by the Debtor during the pendency of the Chapter 11

Case from the Petition Date through the Confirmation Date are approved and ratified.

25. Notwithstanding anything to the contrary contained in the Plan:

(i) the Notes and Indentures shall continue in effect also for the purposes of (i) allowing the holders of the Subordinated Note Claims to receive their distributions under that certain agreement (the "Icahn-Subordinated Noteholder Agreement") between the Subordinated Noteholders and Icahn (as defined in such agreement) as described on the record of the Confirmation Hearing, (ii) allowing the Subordinated Note Trustee to make the distributions to be made on account of the Subordinated Notes, and (iii) permitting the Subordinated Note Trustee, as it may choose, to assert any Note Trustee Charging Lien it may have against such distributions for payment of the Subordinated Note Trustee Fees;

(ii) The distributions to be made under the Icahn-Subordinated Noteholder Agreement to Holders of Subordinated Note Claims shall be made to the Subordinated Note Trustee, which, subject to any right of the Subordinated Note Trustee to assert its Subordinated Note Trustee Charging Lien against the distributions, shall transmit the distributions to the Holders of such Subordinated Note Claims. All payments under the Icahn-Subordinated Noteholder Agreement to Holders of Subordinated Note Claims shall be made only upon the Holder's compliance with the requirements set forth in Section 6.10(a) of the Plan, or in the event that such instrument is lost, stolen, mutilated or destroyed, upon the Holder's compliance with the requirements set forth in Section 6.11. As soon as practicable after surrender of the Subordinated Note instrument evidencing the Subordinated Note Claim, the Subordinated Note Trustee shall distribute to the Holder thereof such Holder's pro rata share of the distribution under Icahn-Subordinated Noteholder Agreement, but subject to any right of the Subordinated Note Trustee to assert its Note Trustee Charging Lien against such distribution;

(iii) The Subordinated Notes Trustee shall make all distributions under the Icahn-Subordinated Noteholder Agreement that have become deliverable since the Distribution Date as soon as practicable after such distribution has become deliverable; and

(iv) As a condition precedent to receiving any distribution pursuant to the Icahn-Subordinated Noteholder Agreement on account of an Allowed Subordinated Note Claim, the Holder of such Claim shall tender the applicable instruments, securities or other documentation evidencing such Claim to the Subordinated Note Trustee or its agent. Any distributions under the Icahn-Subordinated Noteholder Agreement on account of an Allowed Subordinated Note Claim shall, pending such surrender, be treated as an undeliverable distribution pursuant to Section 6.4(b) of the Plan, except that any undeliverable or unclaimed distributions to the Subordinated Noteholders under the Icahn-Subordinated Noteholder Agreement shall revert back to Icahn (as defined in the Icahn-Subordinated Noteholder Agreement).

D. Plan Distributions.

26. Commencing on or as of the Effective Date, distributions to holders of Allowed Claims shall be effectuated pursuant to the Plan.

27. Notwithstanding any provision in the Plan to the contrary, no partial payments or partial distributions shall be made to a holder of a Disputed Claim until such Claim becomes an Allowed Claim. After a Disputed Claim (or portion thereof) becomes an Allowed Claim, the holder of such Allowed Claim shall receive all Distributions to which such holder is entitled under the Plan.

28. In the absence of contrary written notice of assignment or change of address, the Debtor shall make Distributions to the holders of Allowed Claims at the Claimant's address set forth in the Claimant's proof of claim or other writing most recently filed with the Bankruptcy Court or received by the Debtor, and if no such proof of claim or writing has been filed or received, then the address set forth in the Debtor's Schedules.

29. All cash payments to be made by the Debtor to holders of Allowed Claims shall be made, at the Debtor's option, either by: (i) check made payable to the holder of the Allowed Claim and mailed by regular first class mail; or (ii) by wire transfer of immediately available funds. All Distributions made to holders of Allowed Claims by check shall be deemed made when deposited by the Debtor in the United States mail.

E. Claims Resolution and Treatment.

30. After the Confirmation Date, a Claim may not be filed or amended without authorization of the Court and, even with such Court authorization, may be amended by the holder of such Claim solely to decrease, but not to increase, the amount or priority of such Claim. Unless otherwise provided herein, any new or amended Claim filed after the

Confirmation Date shall be void unless the Claim holder has obtained prior Court authorization for the filing.

31. Unless otherwise ordered by the Court, the Debtor and Reorganized XO shall have the right to object to the allowance of any Claim, including any Claim listed in the Schedules or filed with the Bankruptcy Court; provided that subject to further extension by the Bankruptcy Court with or without notice, objections to Claims shall be filed and served on the applicable holder of such Claim no later than 180 days after the later of: (a) the Effective Date; and (b) the filing of the relevant Claim.

32. After the Effective Date, Reorganized XO shall have the authority to file, settle, compromise, withdraw, or litigate to judgment objections to Claims.

33. After the Effective Date, except as otherwise provided in the Plan, or in any contract, instrument, release or other agreement entered into in connection with the Plan or by order of the Court, in accordance with section 1123(b) of the Bankruptcy Code, Reorganized XO shall retain and may enforce any claims, rights and causes of action that the Debtor or its Estate may hold, other than any claims or causes of action that are released pursuant to the Plan.

34. In accordance with the Plan, the treatment accorded to Claims pursuant to the Plan shall be in full satisfaction, settlement and release of such respective Claims.

F. Professional Fees.

35. All applications for payment of fees and reimbursement of expenses by professionals retained in this Chapter 11 Case as well as parties seeking compensation pursuant to section 503 of the Bankruptcy Code must be filed with the Court by the date that is no later than forty-five (45) days after the Effective Date (or, if such date is not a Business Day, by the next Business Day thereafter). Any Person or entity that fails to file such an application or request on or before such date shall be forever barred from asserting such Claim against the



Debtor or Reorganized XO or their property, and the holder thereof shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset or recover such Claim. Applications for approval of professionals' fees not previously awarded during the pendency of the Chapter 11 Case may be included in such professionals' final applications as set forth herein and in the Plan. Objections, if any, to Fee Claims shall be filed and served not later than five (5) business days prior to the date set by the Court for the hearing to consider such requests.

G. Executory Contracts and Leases.

36. As of the Confirmation Date, but subject to the occurrence of the Effective Date, all executory contracts and unexpired leases of the Debtor shall be assumed, pursuant to sections 365 and 1123 of the Bankruptcy Code except: (i) any executory contracts and unexpired leases that are the subject of separate motions to reject filed pursuant to section 365 of the Bankruptcy Code by the Debtor before the entry of the Confirmation Order; (ii) all executory contracts or unexpired leases listed on Schedule 8.1 of the Plan and rejected under the Plan or by order of the Court entered before the Effective Date; (iii) any executory contract or unexpired lease for which the deadline to assume or reject such contract or lease has been extended beyond the date hereof by agreement or further order of the Court; (iv) any executory contract or unexpired lease that is or becomes the subject of a dispute over the amount or manner of cure and for which the Debtor makes a motion to reject such contract or lease based upon the existence of such dispute filed at any time; and (v) any agreement, obligation, security interest, transaction or similar undertaking that the Debtor believes is not executory or a lease that is later determined by the Court to be an executory contract or unexpired lease that is subject to assumption or rejection under section 365 of the Bankruptcy Code, which agreements shall be subject to assumption or rejection within thirty (30) days after any such determination. Any order entered after the Confirmation Date by

the Court, after notice and a hearing, authorizing the rejection of an executory contract or unexpired lease shall cause such rejection to be a prepetition breach under sections 365(g) and 502(g) of the Bankruptcy Code, as if such relief was granted and such order was entered prior to the Confirmation Date. Listing a contract or lease in Schedule 8.1 of the Plan shall not constitute an admission by the Debtor that such contract or lease, including related agreements, is an executory contract or unexpired lease or that the Debtor has any liability thereunder. If the Debtor and the non-debtor party to a lease or contract are unable to agree on the cure amount for such lease or contract, then the Debtor shall have the option to reject such lease or contract or seek a judicial determination of the cure amount (after which, if the cure amount is unacceptable to the Debtor, it may reject the lease or contract).

37. All amendments to Schedule 8.1 to the Plan are hereby authorized and approved. Any claims arising out of the rejection of any executory contract or unexpired lease pursuant to the Plan (the "Rejection Damage Claims") must be filed with the Bankruptcy Court no later than thirty (30) days after the later of: (i) notice of entry of any order approving the rejection of such contract or lease; and (ii) notice of entry of the Confirmation Order. Any Rejection Damage Claim not filed timely shall be forever barred from assertion against the Debtor. Unless otherwise ordered by the Bankruptcy Court, all Allowed Rejection Damage Claims shall be treated as Class 5 (General Unsecured Claims) Claims.

38. Upon the Effective Date of the Plan, the Debtor shall provide notice of the rejection pursuant to the Plan of an executory contract or unexpired lease to the non-debtor party. In the event the Effective Date of the Plan does not occur, the Court enters an Order revoking confirmation of the Plan or the Plan otherwise is not consummated, the Debtor may modify or amend (including, without limitation, making additions and/or deletions) Schedule 8.1 and all

rights of the Debtor to assume or reject its unexpired leases and executory contracts shall be reinstated to the date immediately prior to the date of this Order.

39. The Debtor shall have until at least ninety (90) days after the date of rejection of any lease of real property under the Plan (or such longer period as the parties' may agree) to vacate the premises subject to such lease and to surrender the Premises to the relevant landlord. The rent for the period between rejection of the subject lease and surrender of the premises shall be the stated rent under the applicable lease or such lesser amount as may be ordered by the Court.

H. Taxes.

40. Pursuant to section 1146(c) of the Bankruptcy Code: (i) the issuance, transfer or exchange of any securities, instruments or documents; (ii) the creation of any other lien, mortgage, deed of trust or other security interest, including, without limitation, in connection with the Investment Agreement and the Amended and Restated Senior Credit Facility; (iii) the delivery of any instrument, lease, deed, pledge, deed of trust or other instrument of transfer, the Investment Agreement and documents related thereto, financing statement or assignment executed in connection with the Plan, the Investment Agreement and the Amended and Restated Senior Credit Facility or the revesting, transfer or sale of any real or personal property of the Debtor pursuant to, an implementation of, or as contemplated in the Plan; or (iv) issuance, renewal, modification or securing of the transactions contemplated by the Investment Agreement and/or the Amended and Restated Credit Agreement by any means and the making, delivery or recording of any mortgage, pledge, deed, financing statement, bill of sale, assignment or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including, without limitation, this Confirmation Order, shall not be subject to any stamp tax, transfer tax, intangible

tax, recording fee, or similar tax, charge or expense to the fullest extent provided for under section 1146(c) of the Bankruptcy Code.

41. All filing and recording officers are hereby directed to accept for filing or recording all instruments of transfer to be filed and recorded in accordance with the Investment Agreement or the Plan, as applicable, and the exhibits thereto, without payment of any such taxes. This Court retains jurisdiction to enforce the foregoing direction, by contempt proceedings or otherwise.

I. Miscellaneous.

42. The Debtor's right to seek to modify or revoke confirmation of and withdraw the Plan shall be reserved, if the Debtor is for any reason unable to consummate the Plan at any time after the Confirmation Date up to the Effective Date. If the confirmation of the Plan is revoked and the Plan withdrawn: (a) nothing contained herein or in the Plan shall be deemed to constitute a waiver or release of any claims by or against the Debtor or to prejudice in any manner the rights of the Debtor or any Persons in any further proceeding involving the Debtor; and (b) the result shall be the same as if this Order were not entered, the Plan was not confirmed and no actions were taken to effectuate it.

43. The filing by the Debtor of the Stand-Alone Notice shall constitute a request by the Debtor to convert or modify the Plan to Plan B and seek confirmation of Plan B in which event the Debtor will automatically be authorized to proceed with confirmation of Plan B on not less than 20 days notice to: (i) the Office of the United States Trustee; (ii) counsel for the lenders under the Senior Credit Facility; (iii) counsel for the Creditors' Committee; (iv) counsel for the Investors; (v) all parties that have filed a notice of appearance in this case; and (vi) all creditors who were entitled to vote on the Plan and all parties' rights, if any, with respect to such Stand Alone Plan or any other plan or plans are hereby expressly reserved.

44. The Debtor's rights to proceed with the Stand-Alone Plan or to prepare any other plan or plans in this case are hereby reserved.

45. Except as otherwise provided by this Order, if any of the provisions of this Order are hereafter modified, vacated or stayed, such stay modification or vacation shall not affect the validity or enforceability of any obligation, indebtedness, liability, priority or lien incurred by Reorganized XO prior to the effective date of such stay, modification or vacation.

46. This Court hereby retains jurisdiction of the Chapter 11 Case (a) pursuant to and for the purposes of section 105(a) and 1127 of the Bankruptcy Code, and (b) as set forth in section 12.13 of the Plan, which is incorporated herein by reference, as if set forth in extenso.

47. Subject to the occurrence of the Effective Date and consummation of the FL/Telmex Plan, except with respect to actions necessary to consummate the FL/Telmex Plan for which the following shall be effective upon entry of this Order, pursuant to Section 303 of the Delaware General Corporation Law, this Order establishes conclusive corporate or other authority, and evidence of such corporate or other authority, required for the Debtor and Reorganized XO, and their authorized officers, to undertake any and all acts and actions required to implement or contemplated by the Plan, and no board or shareholder vote shall be required with respect thereto, including, without limitation, the adoption of the Amended Certificate of Incorporation and Bylaws, 2002 Stock Incentive Plan, Management Stock Purchase Agreements, implementation of the Management Stock Purchases, and the authorization and issuance of the Class A Common Stock, Class C Common Stock, Class D Common Stock and Class E Common Stock (including any Class A Common Stock to be issued upon conversion of such Class C Common Stock, Class D Common Stock and Class E Common Stock) contemplated by the Investment Agreement. All such actions and instruments shall be deemed to have been approved

by the stockholders with like effect as if exercised and taken by unanimous action of the directors and stockholders of the Debtor.

48. The Debtor or its authorized agent(s) shall serve a notice of entry of this Order, as provided in Bankruptcy Rule 2002(f)(7), to all parties previously served with notice of the Confirmation Hearing, within ten (10) business days from the date of entry of this Order.

49. The Debtor and Reorganized XO shall be authorized to execute, deliver, file, or record such documents, contracts, instruments, releases, and other agreements and take such other action as may be necessary to effectuate and further evidence the terms and conditions of the Plan.

50. Except as otherwise provided in the Plan and this Order, notice of all subsequent pleadings in this case shall be limited to counsel for the Debtor, counsel for the Administrative Agent, counsel for the Creditors' Committee (except that no such notice need be provided to counsel for the Creditors' Committee after the termination of the Creditors' Committee), the United States Trustee and any party known to be directly affected by the relief sought.

51. In the event of any inconsistency between this Order (including exhibits hereto) and the Plan, this Order (including exhibits hereto) controls.

52. The provisions of Federal Rule of Civil Procedure 62(a) and Bankruptcy Rule 7062 shall not apply to this Confirmation Order, and the Debtor is authorized to consummate the Plan immediately upon entry of this Order.

53. Failure specifically to include or reference particular sections or provisions of the Plan or any related agreement in this Order shall not diminish or impair the effectiveness of such sections or provisions, it being the intent of the Court that the Plan be confirmed and such related agreements be approved in their entirety.

Dated: August 26, 2002  
New York, New York

s/ Arthur J. Gonzalez  
ARTHUR J. GONZALEZ  
UNITED STATES BANKRUPTCY JUDGE